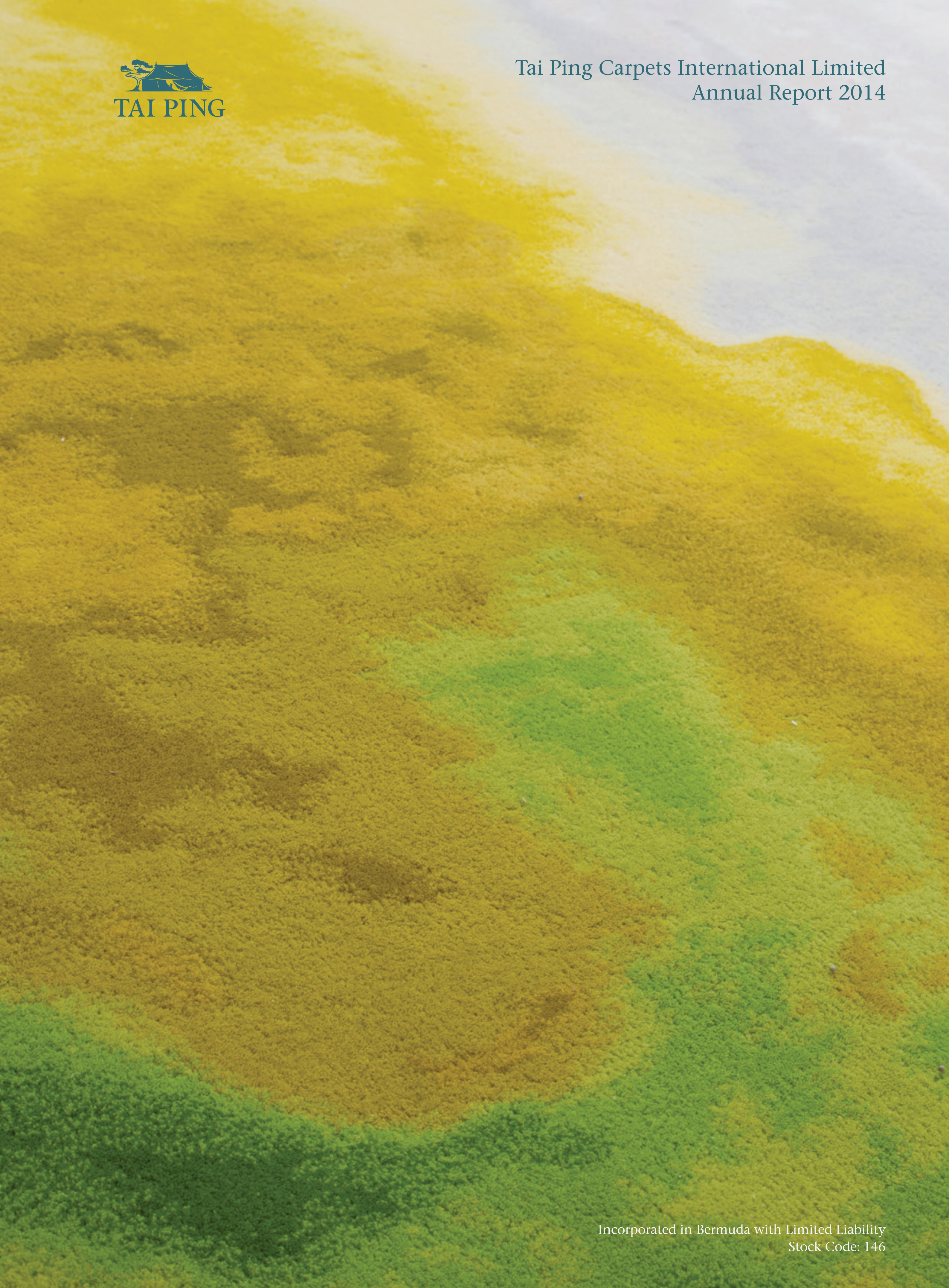

TAI PING

Tai Ping Carpets International Limited
Annual Report 2014

Incorporated in Bermuda with Limited Liability
Stock Code: 146

HONG KONG
PARIS
NEW YORK

VISION

Tai Ping will be a world leader in the creation and distribution of exceptional products and services for interiors, acting through a constellation of prestigious products and brands. Tai Ping will be a vibrant, well-respected, innovative company with an ambitious and realistic strategy for continued long-term prosperity.

We will build our carpet businesses by extending our geographic reach, expanding our product offering, strengthening our brand positions and continuing to set the bar for quality and design excellence. We will also seek our new opportunities in related product categories, thereby leveraging our relationships and expertise into the broader realm of interior design.

We will focus on a sophisticated, international clientele, which we will serve through an array of brands, each representing the Tai Ping standard of excellence.

In attaining our vision, we will hold steadfast to our ideals and to the well-being of our employees.

Peerless since 1956

Nanhai Factory

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Tai Ping at-a-Glance

Tai Ping is Asia's premier carpet manufacturer and is a leader in the international custom carpet industry. The Company was founded in 1956 by a group of visionary businessmen and has been publicly traded since 1973. The Company's shares are traded under stock code 146 on The Stock Exchange of Hong Kong Limited.

The Company has grown from a small cottage industry making traditional Chinese knotted rugs to a vertically integrated, full-service manufacturer of hand tufted, machine woven and tufted carpets with myriad variety and sales in over 100 countries.

Tai Ping offers its customers access to a full range of quality floorcovering products, from luxury to affordable, appropriate for every commercial and residential environment. The Company's global network attends to customer needs with unparallelled attention to detail, providing a full service from custom design through post-installation services. With its superior design and manufacturing capabilities, Tai Ping can transform the most complicated custom design into a work of art for the most discerning buyer.

Financial Highlights

In thousands of Hong Kong dollar except per share amounts

		2014	2013
Per share	Net worth per share (HK$)	**3.94**	4.33
	Basic earnings per share (HK cents)	**11.23**	22.05
	Final dividend declared per share (HK cents)	**12.00**	12.00
For the year	Turnover	**1,428,259**	1,433,200
	Profit for the year	**25,691**	50,347
	Profit attributable to owners of the Company	**23,832**	46,785
	Earnings before interest, tax, depreciation & amortisation	**131,436**	148,524
	Additions to land use rights, property, plant & equipment, construction in progress and intangible assets	**104,861**	95,002
As at 31 December	Capital & reserves attributable to owners of the Company	**791,812**	875,649
	Shares in issue (in thousands)	**212,187**	212,187
Ratio	Return on capital & reserves attributable to owners	**3.0%**	5.3%

Five-year Consolidated Financial Summary

Year ended 31 December

Assets & Liabilities

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,336,532**	1,380,182	1,487,902	1,248,428	1,362,535
Total liabilities	**501,053**	462,163	552,799	387,244	315,013
Total equity	**835,479**	918,019	935,103	861,184	1,047,522

Consolidated Income Statement

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit/(loss) attributable to:					
Owners of the Company	**23,832**	46,785	132,775	(178,143)	(13,063)
Non-controlling interests	**1,859**	3,562	9,802	2,676	1,255
	25,691	50,347	142,577	(175,467)	(11,808)

Han Feng Collection, Tai Ping

Chairman's Statement

The first half of the year was characterised by lower turnover, but a strong performance in the second half of the year, combined with an overall improvement in margins and an encouraging reduction in expenses, contributed to a significant increase in operating profit on a level of sales that was almost identical to prior year.

Our Industry business turnover fell back slightly compared to 2013, primarily as a result of weak demand in Thailand due to political instability. Despite this, improvement in margins and close control of expenses has helped to deliver a record profit.

Our high-end Artisan businesses demonstrated encouraging growth in the U.S. and also Asia which was boosted by the opening of our new showroom in Shanghai. Restructuring and streamlining in our European business reduced overhead costs, and began to bring the local support infrastructure back in line with the levels of turnover projected in our longer-term plans. As a whole, the Artisan business continued to move closer to break-even and, with further streamlining planned, is well placed to capitalise on growth projections.

Our dedicated Aviation business continued to strengthen and grow market share driven by specialist sales, design and customer service teams, and supported by tailored systems for processing Aviation orders at our Nanhai factory.

Over the course of the year we made significant progress developing new marketing initiatives and re-launching our showrooms as the "House of Tai Ping", the home to our six individual and distinctive brands. Of particular note has been the work in establishing the new brand, Vicara, which encompasses our line of hand-knotted rugs sourced from Nepal. Investment in the design, manufacture and distribution of initial Vicara collections has been completed and the business is well placed to drive growth from these products through 2015/6.

Having invested heavily to grow a firm business base and establish resilience over the last decade, the Board placed considerable emphasis on operating cost efficiency as we entered 2014. The resulting "global profit improvement process" has been embraced across the organisation in scrutinising the size of our infrastructure and support organisation, and analysing opportunities to reduce the global cost base. Aimed at establishing continuous and sustained improvement over the long term, it is encouraging to report the initial success of the program in 2014, with operating cost reduction contributing significantly to overall profitability improvement.

Construction of our new Artisan workshop in Xiamen, China commenced following a formal ground-breaking ceremony in October, and construction is progressing quickly. The initial Yarn, Dyeing and Carpet fabrication workshops are expected to be handed over to us before the end of the year, with fit-out and start-up planned in the first half of 2016.

Our minority shareholding in the Philippine Carpet Manufacturing Corporation ("PCMC") remains an "Asset for sale" and, with a valuation completed in February 2015, we expect the disposal to be concluded over the next 12-18 months.

In 2015 we look forward to continued progress and continued change across the business as it further capitalises on growth segments and recovering markets, completes deployment of the "House of Tai Ping" brand strategy, oversees the construction of the new factory, and drives for efficiency and global profit improvement.

On behalf of all the members of the Board, I would like to thank our management and staff for their achievements and dedication to the business this year. I would also like to thank the Directors for their continued support and advice.

Nicholas T. J. Colfer
Chairman

Hong Kong, 19 March 2015

The Group's consolidated turnover for the year ended 31 December 2014 was HK$1,428 million, which was flat against the previous year.

Gross margins increased to 47%, and administration expenses were reduced by 11% (HK$28 million) driving a Group operating profit of HK$53 million compared to HK$27 million in 2013 (before one-off gain in relation to Thailand flooding of HK$51 million).

Net profit attributable to the equity holders for the year ended at HK$24 million. This compares to HK$47 million in 2013 which benefitted from one-off, non-recurring insurance revenues of HK$51 million related to the flooding of our factory in Thailand in 2011.

CARPET OPERATIONS

Turnover of the carpet operations in the year was HK$1,396 million, also flat against the previous year. Modest growth in the Artisan businesses was offset by a small decline on the Industry side, where improvement in the Americas did not quite compensate for a decline in Asia which was linked to the political unrest in Thailand.

The Americas overtook Asia as our largest region, generating 43% of turnover. Asia contributed 41%, with Europe and the Middle East making up the remaining 16%.

Overall gross profit margin improved by 1% to 46%, with all regions contributing.

The Americas

Turnover in the Americas increased by 14% to HK$595 million, with improvements in both North America (up 11%) and South America (up 73%).

The U.S. hospitality business had a strong year with turnover up by 12% and also improved margins. The Marriott hotel group remained our largest customer, with growth supported by an extended stock program for Marriott CFRST properties (Courtyard, Fairfield Inn, Residence Inn, Spring Hill Suites and Town Place Suites).

The Artisan businesses demonstrated encouraging growth, with turnover increased by 18% to HK$247 million, and also improving margins. The Aviation business grew particularly strongly, delivering a 42% increase in turnover. Our focus in this sector remains on building supply relationships with key customers, supported by standards of customer service that remain unrivalled in the industry. During the year we launched a stock rug program to support the rapid refurbishment programs offered by Aircraft completion centers.

On the Artisan side we expanded market share in the luxury retail stores sector by adding clients such as Neiman Marcus, Saks Fifth Ave and London Jewelers. During the year we also completed numerous high-end bespoke projects for discerning residential clients.

Overall gross margins in the Americas increased by 0.5% due primarily to the higher percentage of Aviation sales in the mix. Segment profit for North America and South America grew by over 56% to HK$34 million compared to 2013.

Asia

Turnover in Asia reduced by 10%, due primarily to the political unrest and resulting instability in Thailand.

The Thai domestic market was sluggish but during the second half of the year – and particularly in the fourth quarter – business began to recover with an encouraging improvement in the hospitality sector. Thai exports remained on target, with some weakness in Australia linked to currency fluctuation, being offset by strong progress in India, Japan and Singapore.

Industry sector turnover in the rest of Asia decreased by 12%, linked to the exit from unprofitable segments in 2013, as well as some softness in the Singapore gaming sector.

Our Asian Artisan business demonstrated the expected progress in the year with 46% increase in turnover. The primary driver for this was the addition of a new flagship showroom in Shanghai, which opened in March. The Hong Kong showroom and market remained relatively flat with sales volumes on an upswing in the fourth quarter of the year.

Despite the reduction in regional turnover, overall gross profit margin improved by 1%, and significant progress was achieved in delivering internal cost efficiencies in Thailand and particularly Hong Kong. The overall Asian business returned regional segment profits of HK$56 million in the year compared to HK$34 million in 2013 – an improvement of 65%.

Europe, the Middle East and Africa

Our businesses in Europe and the Middle East remained sluggish with turnover down by 3% compared to prior year, finishing at HK$227 million. Behind this, a decline in hospitality sales was largely offset by progress made in our Artisan business.

Sales into the private yacht sector increased by 27%, with a doubling of this business in Germany. Meanwhile, residential sales increased by 42% in the U.K. and retail business conducted through our Paris showroom increased by 80%. Notable projects included celebrity homes in the south of France, the Qatar Foundation's private office of Her Highness Sheikh Mozah in Doha, the "mega yacht" Ocean Victoria, and the Peninsula hotel in Paris.

Our businesses in France and the Middle East underwent major restructuring during the year with a significant downsizing of our Dubai office, as well as reductions in Paris. Further streamlining in the region is planned for 2015.

European gross margins increased to almost 59% and, combined with the significant reduction in operating expenses, this meant that the region's segment losses were almost halved to HK$14 million compared with HK$26 million in 2013.

Manufacturing Operations

Our Nanhai factory in China made excellent progress with its material waste reduction program and together with labour productivity improvements was able to offset market increases in both raw materials and statutory wage increases. Trial "Robo-tufting" technology has been introduced and valuable experience is being gained working with the first production machine.

Our Pathumthani factory in Thailand had another excellent year with a strong focus on direct labour productivity and overhead cost reduction. Environmental credentials were also strengthened with introduction of high technology Waste Water Treatment equipment, and the factory is now designated a "zero discharge plant". Accreditation was gained for ISO 50001, the international standard for Energy Management systems.

Construction of our new Artisan workshop in Xiamen, China, commenced following a formal ground breaking ceremony on the 23rd October. Site preparation and piling work was completed by the end of the year and construction will be fully completed during 2016. Staff numbers at the temporary training workshop have increased to 56 people, with the skills base developing well, and several orders successfully produced.

Overall headcount across the three factory sites was reduced by a further 178, ending the year at 2,323 employees.

Human Resources

The overall number of employees across the business decreased by 215 to 2,900.

During the year, a cultural change and internal communication initiative was launched to advance teamwork, unity and cultural awareness across the Group, and support the drive for greater efficiency.

A new global payroll solution was also selected and is being deployed to improve service to employees, address local governance and compliance risk, and deliver robust management reporting and analytics.

Information Technology

The global roll-out of the Oracle ERP finance module was accelerated in 2014 with Carpets Inter now included. The sales module underwent a major overhaul to take advantage of newer technologies, with regional roll-out to all divisions anticipated to conclude in 2015.

A strategic initiative to enhance manufacturing ERP systems for the factories in China and Thailand restarted in the second half of the year. Working with recognised third party textile software providers, selection, development and initial deployment of a modern, integrated system is planned for late 2015 or early 2016.

Software development and enhancement of the in-house Quantum design software and Re:source customer collaboration tools continue on schedule with major new releases scheduled in 2015.

Design & Marketing

During the year Tai Ping launched the "House of Tai Ping" global brand strategy, updating our exceptional tradition of craft and dedication to innovation, in every facet of carpet design and manufacturing. Our six brands are now organised under Artisan (Tai Ping, Edward Fields, La Manufacture Cogolin & Vicara), and Industry (1956 by Tai Ping and Carpets Inter).

We also announced the launch of our newly re-designed and optimised web experience at taipingcarpets.com. The new website brings our six venerable brands to life under the House of Tai Ping banner, creating a visually compelling online experience for our customers worldwide.

Exciting new design collaborations were mobilised during the year including a collection designed by Chinese Fashion designer Han Feng that was launched simultaneously in New York, Paris and Shanghai.

During the "Designer Days" festival in Paris, Tai Ping partnered with Venezuelan artist Atelier Elias Crespin and collaborated with Brazil's Estudio Guto Requena to create the "Tea Hug" rug. Designed through a process that combines memory, music, and traditional Chinese manufacturing with new digital technologies, this has since been featured at Art Basel in Miami, Design Days in Dubai and in the MAD Museum, New York.

La Manufacture Cogolin partnered with designer Florent Albinet and textile designer Luce Couillet who chose to interpret the intricate manufacturing process of a Cogolin rug and play with the flowing human, natural, and artificial energies that fuel it.

Edward Fields presented the Beacon Edition, a vibrant collection featuring nine reinterpretations of archival patterns plus seven new designs, and launched EF Volume II, a catalog featuring an extensive selection from the American icon's rich archives of designs inspired by modern landscapes in the American Southwest.

The completion of the Vicara brand strategy and visual identity was followed by the opening of a small studio in New York City that will become a platform to showcase the techniques and expertise of Nepalese hand-knotted techniques passed down over generations.

1956 by Tai Ping proudly announced the global launch of Revive, its latest anthology, designed expressly for the hospitality industry, in a visionary new collaboration with acclaimed British street artist Paul "Moose" Curtis.

Carpets Inter continued to launch innovative and market-specific tile collections and launched an innovative and industry-leading 3D Carpet Simulator. This interactive tool enables the client to select a room scene, design and color, and then change parameters to instantly see how alternatives look and feel in the setting.

NON-CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's U.S.-based yarn-dyeing facilities, experienced an extremely difficult year with turnover down 20% to HK$31 million. This was exclusively linked to a swing in U.S. demand away from nylon yarn systems and into polyester.

A change in leadership took place in 2014, and with a focus on rightsizing and low cost product diversification, a return to profitability is targeted after reporting operating losses in 2014 of HK$1 million.

Asset Held for Sale

Our investment in PCMC continues to be classified as an asset held for sale. An independent valuation of the business has been completed in February 2015 and we target to sell our shareholding in the next 12 to 18 months.

James H. Kaplan
Chief Executive Officer

Hong Kong, 19 March 2015

Beacon Edition, Edward Fields

Board of Directors

Chairman & Non-Executive Director

Nicholas T. J. Colfer: aged 55

Chairman since 2005; Non-Executive Director since 2003; Chairman of the Executive and Nomination Committees

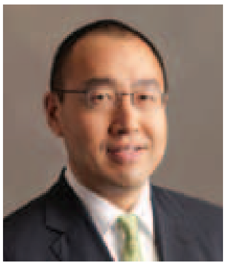
Mr. Colfer is a Director of Sir Elly Kadoorie & Sons Ltd., a Non-Executive Director of The Hongkong and Shanghai Hotels, Ltd. and serves on several other corporate boards in Hong Kong. He holds a Master of Arts degree from the University of Oxford.

Chief Executive Officer & Executive Director

James H. Kaplan: aged 59

Chief Executive Officer and Executive Director since 2003; Member of the Executive Committee

Mr. Kaplan has been with Tai Ping for more than ten years. Prior to that, he was the Divisional Vice President of the high-end global furniture manufacturer Knoll International. He holds a Bachelor of Arts degree from Lafayette College.



Non-Executive Director

Nelson K. F. Leong: aged 51

Non-Executive Director since 2012 and Alternate Director to his elder brother Lincoln K. K. Leong (1998 – 2012); Member of the Executive Committee

Mr. Leong is an Executive Director of Henry G. Leong Estates Ltd., a Director of Fontana Enterprises Ltd. and a number of companies involved in real estate in Hong Kong and North America. He holds a Master of Business Administration degree from the University of Toronto and a Bachelor of Arts degree from Brown University.

Non-Executive Director

Andrew C. W. Brandler: aged 58

Non-Executive Director since 2014

Mr. Brandler is a Director and Chairman of Sir Elly Kadoorie & Sons Ltd., a Non-Executive Director and Deputy Chairman of The Hongkong and Shanghai Hotels, Ltd. and a Non-Executive Director of CLP Holdings Ltd. He was the Group Managing Director and Chief Executive Officer and an Executive Director of CLP Holdings Ltd. in the past three years. He has had an extensive career as an international banker and company executive. He is a Chartered Accountant, and holds Bachelor of Arts and Master of Arts degrees from the University of Cambridge and a Master of Business Administration degree from Harvard Business School.

Non-Executive Director

David C. L. Tong: aged 44

Non-Executive Director since 1997; Member of the Executive and Remuneration Committees

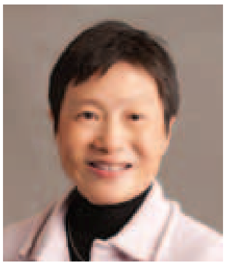
Mr. Tong is a Director of Sir Elly Kadoorie & Sons Ltd., an Independent Non-Executive Director of Hong Kong Aircraft Engineering Co. Ltd. and serves on several other corporate boards in Hong Kong. He is a Chartered Engineer and holds a Bachelor of Engineering degree from the University of London.

Non-Executive Director

John J. Ying: aged 52

Non-Executive Director since 1999; Member of the Executive and Audit Committees

Mr. Ying is the Managing Director of Peak Capital, a private investment firm focused on investments in Greater China, Chairman of Bracell Limited (formerly Sateri Holdings Ltd.) and the Asian Republican Coalition. He holds a Master of Business Administration degree from the Wharton School, a Master of Arts degree from the University of Pennsylvania and a Bachelor of Science degree from the Massachusetts Institute of Technology.

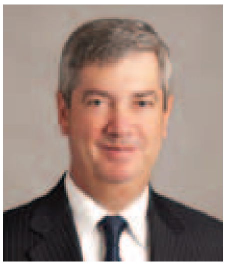


Independent Non-Executive Director

Yvette Y. H. Fung: aged 53

Independent Non-Executive Director since 2004; Member of the Remuneration and Nomination Committees

Mrs. Fung is a Director of Hsin Chong International Holdings Ltd. and Chair of The Yeh Family Philanthropy Ltd., a member of various boards in the education and non-profit sectors. She holds both a Juris Doctor and a Bachelor of Arts degree from Stanford University and a Master of Business Administration degree from the University of California, Los Angeles.



Independent Non-Executive Director

Roderic N. A. Sage: aged 62

Independent Non-Executive Director since 2005; Chairman of the Remuneration and Audit Committees

Mr. Sage is Chief Executive Officer of a consultancy specialising in taxes, corporate services and trusts. He is a Chartered Accountant and was formerly a Senior Partner and member of the board of KPMG in Hong Kong.

Independent Non-Executive Director

Lincoln C. K. Yung, JP, FHKIB: aged 69

Independent Non-Executive Director since 2004 and Non-Executive Director (1980-2004); Member of the Nomination Committee

Mr. Yung is currently Deputy Managing Director of Nanyang Holdings Ltd., Chairman and Non-Executive Director of Shanghai Commercial Bank Ltd. and Paofoong Insurance Co., (Hong Kong) Ltd., a Director of The Shanghai Commercial & Savings Bank, Ltd. and the President of HK Wuxi Trade Association Ltd. He has extensive experience in the textile, banking and investment industries and serves on various committees and boards. He is a Fellow of The Hong Kong Institute of Bankers and holds a Master of Business Administration degree from the University of Chicago and is a graduate of Cornell University.

Independent Non-Executive Director

Aubrey K. S. Li: aged 65

Independent Non-Executive Director since 2010; Member of the Audit Committee

Mr. Li is the Chairman of IAM Holdings (Hong Kong) Ltd. (formerly MCL Partners Ltd.), a Hong Kong-based investment group, a Non-Executive Director of The Bank of East Asia, Ltd. and an Independent Non-Executive Director of Café de Coral Holdings Ltd., China Everbright International Ltd., Kunlun Energy Co., Ltd., Kowloon Development Co., Ltd. and Pokfulam Development Co., Ltd. He is also a Non-Executive Director of AFFIN Bank Berhad. He possesses extensive experience in the fields of investment banking, merchant banking and capital markets. He holds a Master of Business Administration degree from Columbia University and a Bachelor of Science degree in Civil Engineering from Brown University.

Corporate Governance

The Board and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company has complied with the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014, except for the deviations as disclosed in this report.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company (the "Tai Ping Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code throughout the year ended 31 December 2014.

Board of Directors

The Board of Directors is accountable to the shareholders for the leadership and management and control of the business of the Company. The Board delegates to the Chief Executive Officer and his management team day-to-day management of the Company's business, including the preparation of annual and interim financial statements and implementation of internal controls, in accordance with the strategy, policies and programmes approved by the Board.

The Board currently consists of ten members. Among them, one is Executive Director, five are Non-Executive Directors and four are Independent Non-Executive Directors.

During the year, Mr. Ian D. Boyce retired as a Non-Executive Director of the Company from the close of annual general meeting of the Company (the "AGM") on 23 May 2014 and Mr. Andrew C. W. Brandler was appointed as a Non-Executive Director of the Company at the AGM on 23 May 2014.

The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Group pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set out on pages 18 to 19 in this Annual Report.

The Board considers that its diversity, including gender diversity, is a vital asset to the business. During the year, the Board adopted a Board Diversity Policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

During the year, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to Directors. Additionally, training has been attended by all Directors covering a broad range of topics including Directors' duties, updates on the Listing Rules and accounting reporting standards.

The Board has a balance of skills and experience appropriate for the requirements of the businesses of the Group. All Directors have separate and independent access to the advice and services of the senior management, the Chief Operating Officer ("COO") and the Company Secretary, with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Appropriate directors' and officers' liability insurance has been arranged for the Directors and Officers of the Company.

Board Meetings

The Board of Directors held a total of four Board meetings during the year ended 31 December 2014. Of these, two meetings were held to approve the 2013 final results and 2014 interim results of the Group; the other meetings were held to consider financial and operating performances of the Group. The COO and the Company Secretary, attended all Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial perspectives.

The attendance of individual Directors during the year ended 31 December 2014 is set out in the table below. All businesses transacted at the Board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

	No. of meetings attended
Chairman & Non-Executive Director	
Nicholas T. J. Colfer	4/4
Chief Executive Officer & Executive Director	
James H. Kaplan	4/4
Non-Executive Directors	
Ian D. Boyce[1]	1/1
Nelson K. F. Leong	4/4
David C. L. Tong	4/4
John J. Ying	4/4
Andrew C. W. Brandler[2]	2/3
Independent Non-Executive Directors	
Yvette Y. H. Fung	4/4
Aubrey K. S. Li	3/4
Roderic N. A. Sage	3/4
Lincoln C. K. Yung	2/4

Notes:
1 Mr. Ian D. Boyce retired as a Non-Executive Director from the close of AGM held on 23 May 2014.
2 Mr. Andrew C. W. Brandler was appointed as a Non-Executive Director at the AGM held on 23 May 2014.

The proceedings of the Board of Directors at its meetings are conducted by the Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to Directors to speak, express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board of Directors and the decisions reached. The draft minutes of each Board meeting are sent to all Directors for comments.

Chairman & Chief Executive Officer

The posts of Chairman and Chief Executive Officer ("CEO") are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman of the Board is Mr. Nicholas T. J. Colfer and the CEO is Mr. James H. Kaplan. To comply with code provision A.2.1 of the CG Code, the division of responsibilities between the Chairman and the CEO was formally set out in writing. Essentially, the Chairman takes the lead to oversee the Board functions while the CEO, supported by his management team, is responsible for the day-to-day management of the business of the Company.

Non-Executive Directors

The Company's Non-Executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every Director would retire by rotation at the AGM at least once every three years which is in line with the CG Code.

In respect of code provision A.6.7 of the CG Code, all Non-Executive Directors (including Independent Non-Executive Directors) attended the AGM held on 23 May 2014 except Mr. Aubrey K. S. Li (Independent Non-Executive Director) due to other business engagement.

To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Company considers that its Non-Executive Directors and Independent Non-Executive Directors bring to the Board a good mix of expertise and experience in the fields of accounting, investment and business. At least one of the Independent Non-Executive Directors has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Pursuant to the requirements of the Listing Rules, each Independent Non-Executive Director has given the Company an annual confirmation of his/her independence.

The Company considers all the Independent Non-Executive Directors to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

Board Committees

The Company currently has four Board committees, namely, Executive Committee, Remuneration Committee, Audit Committee and Nomination Committee.

1. Executive Committee

The Executive Committee was established in August 2005 and operates as an executive management committee under the Board to monitor and control the financial and operational performance of the Group.

During the year under review, it held five meetings and the attendances of the members at the meetings are as follows:

	No. of meetings attended
Nicholas T. J. Colfer (Chairman)	5/5
James H. Kaplan	5/5
David C. L. Tong	5/5
John J. Ying	5/5
Nelson K. F. Leong	5/5

2. Remuneration Committee

The Company has set up a Remuneration Committee on 23 September 2005 and the terms of reference of Remuneration Committee are aligned with the CG Code. Given below are main duties of the Remuneration Committee:

– to make recommendation on the Company's policy and structure for remuneration of the Directors and senior executives
– to determine remuneration of all Executive Directors and senior executives
– to review and approve performance-based remuneration
– to review and approve compensation in connection with any loss or termination of office or appointment of any Executive Directors and senior executives

The committee evaluates the remuneration packages of the Executive Director and the senior executives by linking their performance against corporate objectives, the profits of the Group and their potential contribution to the development of the Group. The fees for the Non-Executive Directors and the Independent Non-Executive Directors are determined on the basis of market benchmarks, experience, responsibilities and workload.

The members of the Remuneration Committee and their attendances at the meetings of the committee are set out below:

	No. of meetings attended
Roderic N. A. Sage (Chairman)	1/2
Yvette Y. H. Fung	2/2
David C. L. Tong	2/2

3. Audit Committee

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of Audit Committee are aligned with the CG Code. Under these terms of reference, the responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditor (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the audit fee and reviewing the audit scope), review of financial information of the Group, oversight of the Group's financial reporting system and internal controls.

During the year under review, the Audit Committee held three meetings with management and the representatives of the external auditor for reviewing the interim and annual reports before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of work of both external auditor and internal auditor, and discussing issues arising from the audits including internal controls and financial reporting.

The composition of the Audit Committee and the attendances of the members at the meetings are as follows:

	No. of meetings attended
Roderic N. A. Sage (Chairman)	2/3
John J. Ying	3/3
Aubrey K. S. Li	3/3

4. Nomination Committee

The Company has set up a Nomination Committee on 31 March 2012 and the terms of reference of Nomination Committee are aligned with the CG Code. Given below are main duties of the Nomination Committee:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships
- to assess the independence of Independent Non-Executive Directors
- to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive

The members of the Nomination Committee and their attendances at the meeting of the committee are set out below:

	No. of meeting attended
Nicholas T. J. Colfer (Chairman)	1/1
Lincoln C. K. Yung	1/1
Yvette Y. H. Fung	1/1

Auditor's Remuneration

For the year under review, the fees charged to the financial statements of the Company and its subsidiaries by the Group's external auditor, PricewaterhouseCoopers and other member firms under PricewaterhouseCoopers, for services provided are analysed as follows:

	HK$'000
PricewaterhouseCoopers:	
Audit services	4,034
Non-audit services	718

Company Secretary

Mr. Lee Siu Kau ("Mr. Lee") was appointed as the company secretary of the Company with effect from 21 December 2011. He is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments. Mr. Lee has been in full compliance with the requirements of Rule 3.29 of the Listing Rules throughout the year of 2014.

Financial Reporting & Internal Controls

The consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and they are not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The independent auditor's report is on page 42 and 43.

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. The internal control system of the Group is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the consolidated financial statements, and ensure compliance with relevant legislation and regulations. However, associate might not fully follow the Group's internal control system. The Group is not involved in routine operational decisions and does not play an active role in running the business of the associate, and an audit or certain review procedures are performed on their annual financial results. Major business decisions and challenges, including key policies, capital expenditure, regulatory and financing issues, would be presented and considered through regular Board meetings. Such practices provide reasonable, but not absolute, assurance against material mis-statement or loss and manage rather than eliminate risks associated with the associate's business activities.

The independent internal audit function has written terms of reference and reports directly to the Audit Committee. Internal Audit conducts reviews of the effectiveness of the Group's internal control system based on the internal audit plan and ad hoc requests from the Audit Committee and senior management. The annual internal audit plan is developed based on an assessment of the various business and operational risks of the Group and is approved by the Audit Committee. The Audit Committee reviews the findings and opinion of Internal Audit in respect of the effectiveness of the Group's internal control system periodically, and reports annually to the Board the key findings of such reviews.

Communication with Shareholders

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

For both institutional and retail investors, the Company's website at www.taipingcarpets.com provides up-to-date information on the Group. All key information such as announcements, annual and interim reports can be downloaded from it.

During the year ended 31 December 2014, the Company held the AGM on 23 May 2014. All Directors who are including the Chairman of the Board and chairman of the committees attended the AGM to answer questions and proposals raised by the shareholders of the Company except Mr. Aubrey K. S. Li (Independent Non-Executive Director) due to other business engagement.

Shareholders' Rights

1. Procedure for shareholders to convene a Special General Meeting ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene an SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

2. Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at 8th Floor, Tower 1, Kowloon Commerce Centre, 51-53 Kwai Cheong Road, Kwai Chung, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

3. **Shareholders' enquires**

   Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at 8th Floor, Tower 1, Kowloon Commerce Centre, 51-53 Kwai Cheong Road, Kwai Chung, Hong Kong.

Constitutional Documents

In order to give more clarity to the Bye-laws of the Company, the amendment of Bye-law 190(vii)(A)(2) of the Company was approved by shareholders of the Company at the AGM on 23 May 2014. An up-to-date consolidated version of the Memorandum of Association and Bye-laws of the Company has been published on the websites of the Company (www.taipingcarpets.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) on 23 May 2014.

Peninsula Paris, Tai Ping

Anthology 10, Tai Ping

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2014.

Principal Activities & Geographical Analysis of Operations

The principal activities of the Company and its subsidiaries (the "Group") consist of manufacture, import, export and sale of carpets, manufacture and sale of yarns and sale of leather.

An analysis of the Group's performance for the year by segment is set out in Note 5 to the consolidated financial statements.

Results & Appropriations

The results for the year are set out on page 44.

No interim dividend was paid during the year. The Board reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board approved the payment of a special dividend of HK40 cents per share, amounting to a total of HK$84,875,000. The special dividend was paid on 29 September 2014.

The Directors recommend a final dividend of HK12 cents per share (2013: HK12 cents), totalling HK$25,462,000 (2013: HK$25,462,000) for the year ended 31 December 2014. Subject to the approval of shareholders at the forthcoming AGM on 20 May 2015, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 29 May 2015.

Five-year Consolidated Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of the annual report.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 28 to the consolidated financial statements.

Donations

During the year, donations made by the Group for charitable purposes amounted to HK$194,000.

Intangible Assets

Details of the movements in intangible assets during the year are set out in Note 17 to the consolidated financial statements.

Property, Plant & Equipment

Details of the movements in property, plant and equipment during the year are set out in Note 16 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in Note 27 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2014, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK$399,722,000.

Principal Subsidiaries

Particulars of the principal subsidiaries are set out on Note 18.

Purchase, Sales or Redemption of the Company's Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Pre-emptive Rights

No shareholder pre-emptive rights exist in the jurisdiction in which the Company was incorporated.

Share Options

No share options scheme exist during the year.

Directors

The names of the Directors at the date of this Report are set out on pages 18 and 19.

In accordance with the Company's Bye-laws, Mr. Nicholas T. J. Colfer, Mr. James H. Kaplan, Mr. Aubrey K. S. Li and Mr. Lincoln C. K. Yung will retire by rotation from office at the forthcoming AGM on 20 May 2015. Mr. Nicholas T. J. Colfer, Mr. James H. Kaplan, Mr. Aubrey K. S. Li and Mr. Lincoln C. K. Yung, being eligible, have offered themselves for re-election at the AGM.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Independent Non-Executive Directors

The Company has received from Mrs. Yvette Y. H. Fung, Mr. Aubrey K. S. Li, Mr. Roderic N. A. Sage and Mr. Lincoln C. K. Yung, Independent Non-Executive Directors, written confirmations of independence pursuant to Rule 3.13 of the Listing Rules.

The Company considers all the Independent Non-Executive Directors to be independent.

Biographical Details of Directors & Senior Management

Brief biographical details of Directors and senior management are set out on pages 18 to 19 and 103 respectively.

Directors' Interests in Competing Business

None of the Directors of the Company have any interest in any business which may compete with the business of the Group.

Directors' Interests in Equity Securities

As at 31 December 2014, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK$0.10 each in the Company

No. of ordinary shares held (long position)

Name	Beneficial owner	Interests of controlled corporation	Aggregate % of the share capital
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,182,000[1]	1.358%
John J. Ying	–	32,605,583[2]	15.366%
Aubrey K. S. Li	100,000	–	0.047%
James H. Kaplan	522,000	–	0.246%

Notes:

1 The shares are held through companies which are controlled by Mr. Nelson K. F. Leong.

2 The shares are held through Peak Capital Partners I, L.P. of which Mr. John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Save for the Directors' interests as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to hold any interests in the shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2014, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following interests, being 5% or more in the issued ordinary share capital of the Company.

Name	No. of ordinary shares held in the Company of HK$0.10 each (long position)	Aggregate % of the share capital
Acorn Holdings Corporation[1]	40,014,178	18.858%
Bermuda Trust Company Limited[1]	40,014,178	18.858%
Harneys Trustees Limited[1]	77,674,581	36.607%
Lawrencium Holdings Limited[1]	77,674,581	36.607%
The Mikado Private Trust Company Limited[1]	77,674,581	36.607%
The Hon. Sir Michael Kadoorie[1]	77,674,581	36.607%
Peak Capital Partners I, L.P.[2]	32,605,583	15.366%

Notes:

1 Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is interested. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 77,674,581 shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those shares.

2 Mr. John J. Ying (a Non-Executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers & Suppliers

During the year, the Group sold less than 30% of its goods and services to its five largest customers and purchased less than 30% of its goods and services from its five largest suppliers.

Connected Transactions

1. Significant related party transactions entered into by the Group during the year ended 31 December 2014, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in Note 38 to the consolidated financial statements.

2. Other related party transactions entered into by the Group in 2014 and up to the date of this Directors' Report, which fall under the definition of "connected transactions" or "continuing connected transactions" and not exempted under Rule 14A.31 and Rule 14A.33 of the Listing Rules, are as follows:

The Company's subsidiaries have been from time to time supplying products, and providing related ancillary services to The Hongkong and Shanghai Hotels, Limited ("HSH") and its subsidiaries. These transactions fall under the definition of continuing connected transactions under the Listing Rules by virtue of the fact that The Mikado Private Trust Company Limited, a substantial shareholder of the Company, is also interested in more than 30% voting power of HSH. In accordance with the requirements of the Listing Rules, the Company entered into a New Products and Services Supply Agreement with HSH on 18 March 2014 (the "New Agreement") for the supply of carpets, rugs and all forms of floor coverings and related installation and transportation services to HSH and its subsidiaries on normal commercial terms for a period from 22 March 2014 to 31 December 2016 subject to an annual cap of HK$8,500,000, HK$10,000,000 and HK$10,000,000 for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 respectively. An announcement in this respect was made on 18 March 2014. For the year ended 31 December 2014, the total order amount and invoiced value of these transactions ("HSH Transactions") amounted to HK$4,057,800 and HK$4,239,369 respectively.

The Directors, including all the Independent Non-Executive Directors, have reviewed the HSH Transactions and confirmed that they have been entered into:

i. in the ordinary and usual course of business of the Group;

ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

iii. in accordance with the New agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has reported to the Directors in their letter that based on their work performed:

i. the HSH Transactions have been approved by the Company's Board of Directors;

ii. the HSH Transactions have been entered into in accordance with the pricing policies of the Group and the relevant agreements or order contracts governing the transactions; and

iii. the amounts on the HSH Transactions in 2014 have not exceeded the relevant cap amount.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions.

Public Float

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

Annual General Meeting

It is proposed that the AGM will be held on Wednesday, 20 May 2015. Notice of the AGM will be published and dispatched to the shareholders together with this report.

Closure of Register of Members

For the purpose of determining shareholders' entitlements to attend and vote at the forthcoming AGM, the transfer books and the register of members of the Company will be closed from Monday, 18 May 2015 to Wednesday, 20 May 2015 (both days inclusive). During such period, no transfer of shares will be effected. In order to establish the right to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2015.

For determining the entitlements to the proposed final dividend for the year ended 31 December 2014, the transfer books and the register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015 (both days inclusive). During such period, no transfer of shares will be effected. To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 26 May 2015.

Auditor

The consolidated financial statements for the year ended 31 December 2014 were audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board
James H. Kaplan
Chief Executive Officer

Hong Kong, 19 March 2015

Nepal Workshop


Cordelles & Épissures, La Manufacture Cogolin

Financial Section

Notes to the Consolidated Financial Statements

羅兵咸永道

To the shareholders of Tai Ping Carpets International Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tai Ping Carpets International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

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of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2015

Consolidated Income Statement

For the year ended 31 December

	Note	2014 HK$'000	2013 HK$'000
Revenues	5	**1,428,259**	1,433,200
Cost of sales	6	**(761,962)**	(781,377)
Gross profit		**666,297**	651,823
Distribution costs	6	**(373,875)**	(357,885)
Administrative expenses	6	**(238,943)**	(267,276)
Gain in relation to Thailand flooding – net	8	**–**	51,491
Other gains/(losses) – net	9	**2,217**	(1,193)
Operating profit		**55,696**	76,960
Finance income	10	**5,464**	1,932
Finance costs	10	**(1,565)**	(1,847)
Finance income – net	10	**3,899**	85
Share of loss of an associate	19	**–**	(703)
Profit before income tax		**59,595**	76,342
Income tax expense	11	**(33,904)**	(25,995)
Profit for the year		**25,691**	50,347
Profit attributable to:			
owners of the Company		**23,832**	46,785
non-controlling interests		**1,859**	3,562
		25,691	50,347
Earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted	13	**11.23**	22.05

	Note	2014 HK$'000	2013 HK$'000
Dividend	14	**110,337**	25,462

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2014 HK$'000	2013 HK$'000
Profit for the year	**25,691**	50,347
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of post-employment benefit obligations	–	(2,250)
Deferred tax on remeasurement of post-employment benefit obligations	–	450
Items that may be reclassified to profit or loss		
Currency translation differences	**2,520**	(19,830)
Other comprehensive income for the year, net of tax[1]	**2,520**	(21,630)
Total comprehensive income for the year	**28,211**	28,717
Attributable to:		
owners of the Company	**26,500**	24,347
non-controlling interests	**1,711**	4,370
	28,211	28,717

Note:

[1] Items in the statement above are disclosed net of tax. The income tax relating to each component of the other comprehensive income is disclosed in Note 11.

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December

	Note	**2014**	2013
		HK$'000	HK$'000
Assets			
Non-current assets			
Land use rights	15	**32,871**	33,667
Property, plant & equipment	16	**277,655**	291,184
Construction in progress	16	**63,892**	16,037
Intangible assets	17	**34,875**	36,339
Deferred income tax assets	29	**10,948**	12,108
Prepayments	21	**6,328**	2,393
Pledged bank deposits	24	**314**	474
Fixed deposits	25	**–**	315
		426,883	392,517
Current assets			
Inventories	20	**234,347**	238,806
Trade & other receivables	21	**244,269**	294,351
Derivative financial instruments	22	**4,588**	–
Financial assets at fair value through profit or loss	23	**78,350**	33,235
Current income tax assets		**13,773**	716
Pledged bank deposits	24	**5,058**	100
Fixed deposits	25	**165,193**	96,505
Cash & cash equivalents	26	**146,879**	306,760
		892,457	970,473
Non-current asset held for sale	19	**17,192**	17,192
		909,649	987,665
Total assets		**1,336,532**	1,380,182

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

	Note	2014 HK$'000	2013 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	27	**21,219**	21,219
Reserves	28	**377,229**	382,561
Retained earnings:			
Proposed final dividend	14	**25,462**	25,462
Others		**367,902**	446,407
		791,812	875,649
Non-controlling interests		**43,667**	42,370
Total equity		**835,479**	918,019
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	29	**5,634**	219
Retirement benefit obligations	30	**26,079**	25,477
Other long-term liabilities	31	**3,015**	3,015
		34,728	28,711
Current liabilities			
Trade & other payables	32	**330,529**	339,823
Current income tax liabilities		**14,968**	8,477
Bank borrowings – unsecured	33	**120,777**	82,336
Derivative financial instruments	22	**51**	2,816
		466,325	433,452
Total liabilities		**501,053**	462,163
Total equity & liabilities		**1,336,532**	1,380,182
Net current assets		**443,324**	554,213
Total assets less current liabilities		**870,207**	946,730

The financial statements on pages 44 to 102 were authorised for issue by the Board of Directors on 19 March 2015 and were signed on its behalf.

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 31 December

	Note	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	18	**242,800**	242,800
Current assets			
Amounts due from subsidiaries	18	**196,321**	253,311
Cash & cash equivalents	26	**2,302**	1,222
		198,623	254,533
Total assets		**441,423**	497,333
Equity			
Equity attributable to owners of the Company			
Share capital	27	**21,219**	21,219
Reserves	28	**277,467**	277,467
Retained earnings:			
Proposed final dividend	14	**25,462**	25,462
Others		**96,793**	163,858
Total equity		**420,941**	488,006
Liabilities			
Current liabilities			
Amounts due to subsidiaries	18	**17,415**	7,160
Other payables	32	**3,067**	2,167
Total liabilities		**20,482**	9,327
Total equity & liabilities		**441,423**	497,333
Net current assets		**178,141**	245,206
Total assets less current liabilities		**420,941**	488,006

The financial statements on pages 44 to 102 were authorised for issue by the Board of Directors on 19 March 2015 and were signed on its behalf.

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013	21,219	189,699	213,513	452,333	876,764	58,339	935,103
Comprehensive income							
Profit for the year	–	–	–	46,785	46,785	3,562	50,347
Other comprehensive income for the year							
Currency translation differences	–	–	(20,651)	–	(20,651)	821	(19,830)
Actuarial loss on retirement benefit obligations	–	–	–	(2,234)	(2,234)	(16)	(2,250)
Deferred tax on actuarial loss of retirement benefit obligations	–	–	–	447	447	3	450
Total other comprehensive income for the year, net of tax	–	–	(20,651)	(1,787)	(22,438)	808	(21,630)
Total comprehensive income for the year	–	–	(20,651)	44,998	24,347	4,370	28,717
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividends for 2012	–	–	–	(25,462)	(25,462)	–	(25,462)
Liquidation of subsidiaries[1]	–	–	–	–	–	(20,339)	(20,339)
Total transactions with owners	–	–	–	(25,462)	(25,462)	(20,339)	(45,801)
Balance at 31 December 2013	21,219	189,699	192,862	471,869	875,649	42,370	918,019
Balance at 1 January 2014	**21,219**	**189,699**	**192,862**	**471,869**	**875,649**	**42,370**	**918,019**
Comprehensive income							
Profit for the year	–	–	–	**23,832**	**23,832**	**1,859**	**25,691**
Other comprehensive income for the year							
Currency translation differences	–	–	**2,668**	–	**2,668**	**(148)**	**2,520**
Total other comprehensive income for the year, net of tax	–	–	**2,668**	–	**2,668**	**(148)**	**2,520**
Total comprehensive income for the year	–	–	**2,668**	**23,832**	**26,500**	**1,711**	**28,211**
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividends for 2013	–	–	–	**(25,462)**	**(25,462)**	–	**(25,462)**
Dividend paid to non-controlling interests	–	–	–	–	–	**(414)**	**(414)**
Special dividends for 2014	–	–	–	**(84,875)**	**(84,875)**	–	**(84,875)**
Release of general reserve due to deregistration of a subsidiary	–	–	**(8,000)**	**8,000**	–	–	–
Total transactions with owners	–	–	**(8,000)**	**(102,337)**	**(110,337)**	**(414)**	**(110,751)**
Balance at 31 December 2014	**21,219**	**189,699**	**187,530**	**393,364**	**791,812**	**43,667**	**835,479**

Note:

[1] Non-controlling interests included the share of losses of subsidiaries from prior years.

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	34	**174,986**	139,515
Net (payment)/receipt for derivative financial instruments		**(6,586)**	787
Retirement benefit paid		**(2,388)**	(1,990)
Income tax paid		**(24,234)**	(17,169)
Withholding tax paid		**(10,450)**	–
Interest paid		**(1,565)**	(1,847)
Net cash generated from operating activities		**129,763**	119,296
Cash flows from investing activities			
Purchases of property, plant & equipment and construction in progress		**(98,060)**	(51,727)
Acquisition of intangible assets		**(6,801)**	(9,238)
Purchase of land use rights		**–**	(34,037)
Proceeds from disposal of property, plant & equipment (Note 34b)		**522**	1,389
Proceeds from disposal of financial assets at fair value through profit or loss		**628,554**	245,433
Purchase of financial assets at fair value through profit or loss		**(672,026)**	(277,836)
Increase in fixed deposits		**(68,373)**	(92,475)
Interest received		**5,464**	1,932
Net cash used in investing activities		**(210,720)**	(216,559)
Cash flows from financing activities			
Proceeds from borrowings		**1,137,993**	449,186
Repayments of borrowings		**(1,099,552)**	(487,766)
(Increase)/decrease in pledged bank deposits		**(4,798)**	12,103
Dividend paid to the Company's shareholders		**(110,114)**	(25,491)
Net cash used in financing activities		**(76,471)**	(51,968)
Net decrease in cash & cash equivalents		**(157,428)**	(149,231)
Cash & cash equivalents at beginning of year		**306,760**	453,162
Exchange (losses)/gains on cash & cash equivalents		**(2,453)**	2,829
Cash & cash equivalents at end of year	26	**146,879**	306,760

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

1. General Information

Tai Ping Carpets International Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacture, import, export and sale of carpets, manufacture and sale of yarns and sale of leather.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, P.O. Box HM 1179, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at 8^{th} Floor, Tower 1, Kowloon Commerce Centre, 51-53 Kwai Cheong Road, Kwai Chung, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2015.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Tai Ping Carpets International Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Changes in accounting standards

(a) New and amended standards and interpretation mandatory for the first time for the financial year beginning 1 January 2014 but which have no material impact to the Group

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities
HK(IFRIC) – Int 21	Levies

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

The Group has not early adopted the following new and amended standards and interpretations that are relevant to the Group. These standards and interpretations have been issued but not yet effective:

HKAS 1 (Amendment)	Disclosure Initiative[2]
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception[2]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKFRS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants[2]
Annual Improvements Project	Annual Improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011-2013 Cycle[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[2]

Notes:
1 Effective for the Group for annual period beginning on 1 July 2014
2 Effective for the Group for annual period beginning on 1 January 2016
3 Effective for the Group for annual period beginning on 1 January 2017
4 Effective for the Group for annual period beginning on 1 January 2018

The Group is assessing the impact of these new standards and amendments, and is not yet in a position to state whether they would have any significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.3 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group account policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors which makes strategic decisions.

2.5 Foreign currency translation

(a) Functional & presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), which is the Company's functional and the Group's presentation currency.

(b) Transactions & balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "Finance income" or "Finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses) – net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity in respect of that operation attributable to the owners of the Company are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant & equipment

Buildings comprise mainly factories, retail outlets and offices. They are stated at cost or valuation less accumulated depreciation and impairment losses. Certain buildings were stated at valuation which was carried out prior to 30 September 1995. Under transitional provision in paragraph 80A of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2%-18%
Machinery	8%-20%
Leasehold improvements	Shorter of lease term or useful life
Furniture, fixtures & equipment	6%-25%
Motor vehicles	18%-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within "Other gains/(losses) – net" in the consolidated income statement.

2.7 Construction in progress

Construction in progress represents machinery, furniture, fixtures and equipment, and buildings on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction in progress until the construction work is completed. On completion, the construction in progress is transferred to appropriate categories of property, plant and equipment and depreciated in accordance with the policy stated in Note 2.6.

2.8 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 30 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.9 Intangible assets

(a) Vendor relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The vendor relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 5 years.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 5 to 7 years.

(c) Brands

Brands acquired in a business combination are initially recognised at fair value at acquisition date. Brands with indefinite useful life are not amortised and are reviewed for impairment on an annual basis.

(d) Design library and other intangible assets

Design library and other intangible assets (which include customer relationships and web-based applications) with finite useful life are stated at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the respective lives of the assets, ranging from 3 to 16 years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables" (excluding prepayments), "Pledged bank deposits", "Fixed deposits" and "Cash and cash equivalents" in the consolidated statement of financial position.

(b) Recognition & measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other gains/(losses) – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.14 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade & other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Subsequent change in the fair value of these derivatives is recognised immediately in the consolidated income statement.

2.18 Cash & cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.19 Share capital

Ordinary shares are classified as equity.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 Financial liabilities

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees, and the best estimate of the amount required to settle the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.24 Current & deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of services and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the consolidated income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.26 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from sale of carpets, yarns, underlays and interior furnishings

Revenue from sale of carpets, yarns, underlays and interior furnishings is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Revenue from installation of carpets

Revenue from installation of carpets is recognised in the accounting period in which the installation services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Risk management is carried out by a central finance team led by the COO. COO identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("US$") and Hong Kong dollar ("HK$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$.

The Group's principal net foreign currency exposure arises from the US$ denominated financial assets/liabilities in the Group's operations covering Thailand, Europe, the People's Republic of China ("PRC") and the United Kingdom whose functional currencies are the local currency of the respective operations.

To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and may use foreign currency forward contracts from time to time to manage the risk arising from foreign currency transactions.

At 31 December 2014, if Thai baht had strengthened/weakened by 3% (2013: 1%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$1,574,000 higher/lower (2013: pre-tax profit of HK$385,000 higher/lower), mainly as a result of foreign exchange gains/losses on foreign currency forward contracts translation of US$ denominated assets and liabilities in entities whose functional currency is Thai baht.

At 31 December 2014, if Euro had strengthened/weakened by 1% (2013: 2.5%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$65,000 higher/lower (2013: pre-tax profit of HK$625,000 higher/lower), mainly as a result of foreign exchange gains/losses on foreign currency forward contracts and translation of US$ denominated assets and liabilities in entities whose functional currency is Euro.

At 31 December 2014, if Renminbi had strengthened/weakened by 0.5% (2013: 3%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$1,302,000 higher/lower (2013: pre-tax profit of HK$2,119,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Renminbi.

At 31 December 2014, if British pound had strengthened/weakened by 1.3% (2013: 1.5%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$480,000 higher/lower (2013: pre-tax profit of HK$460,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is British pound.

(b) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including trade receivables, amounts due from related companies and other receivables. The carrying amounts of these balances in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's bank deposits are placed in major international banks and financial institutions. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The Group has no significant concentrations of credit risk as the Group has a large number of customers, internationally dispersed. Sales to retail customers are made in cash or via major credit cards. For project sales, the Group will request the customers for initial deposits and will accept orders only from those customers with an appropriate credit standing or history. The Group also performs periodic assessment of the trade receivables and believes that adequate provision for uncollectible receivables has been made.

(c) Price risk

Price risk refers to the changes in fair value or future cash flows of financial instruments as a result of fluctuations in market price.

At 31 December 2014, if the price of mutual funds held by the Group had been higher/lower by 3% (2013: 3%) with all other receivables held constant, the pre-tax profit would have been higher/lower by HK$2,350,000 (2013: pre-tax profit of HK$997,000 higher/lower).

(d) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the end of the financial year, the Group held cash and cash equivalents of HK$146,879,000 (2013: HK$306,760,000) (Note 26) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group

2014	**Repayable on demand**	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Trade & other payables	**–**	**179,903**	**–**	**–**	**179,903**
Bank borrowings – unsecured	**117,000**	**3,777**	**–**	**–**	**120,777**
	117,000	**183,680**	**–**	**–**	**300,680**

2013	Repayable on demand	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade & other payables	–	161,827	–	–	161,827
Bank borrowings – unsecured	78,000	4,336	–	–	82,336
	78,000	166,163	–	–	244,163

All of the Group's non-trading gross settled derivative financial instruments (Note 22) are in hedge relationships and are due to settle within 12 months of the consolidated statement of financial position date. These contracts require undiscounted contractual cash inflows of HK$52,048,000 (2013: HK$106,222,000) and undiscounted contractual cash outflows of HK$21,323,000 (2013: HK$100,166,000).

(e) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings held by the Group.

At 31 December 2014, the Group's bank borrowings primarily represent short-term bank loans and outstanding trust receipt loans. If market interest rate had increased/decreased by 100 basis point (2013: 100 basis point) with all other variables held constant, pre-tax profit for the year would have been HK$1,208,000 lower/higher (2013: HK$823,000 lower/higher), mainly as a result of an increase/decrease in interest expenses on bank borrowings by the Group.

Apart from the above borrowings, cash at banks and bank deposits which carry interest at market rates, the Group has no significant interest-bearing assets. As the interest income and expenses derived therefrom are relatively insignificant to the Group's operations, its income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by maintaining a net cash position throughout the year. The management of the Group monitors the utilisation of borrowings and ensures full compliance with loan covenants during the year and at the end of each reporting period.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014	2013
	HK$'000	HK$'000
Total bank borrowings (Note 33)	120,777	82,336
Less: cash & cash equivalents (Note 26)	(146,879)	(306,760)
Net debt	–	–
Total equity	835,479	918,019
Total capital	835,479	918,019
Gearing ratio	0.0%	0.0%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

2014	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	78,350	–	–	78,350
Derivative financial instruments:				
Foreign currency forward contracts	–	4,588	–	4,588
	78,350	4,588	–	82,938
Liabilities				
Derivative financial instruments:				
Foreign currency forward contracts	–	(51)	–	(51)
	–	(51)	–	(51)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

2013	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	33,235	–	–	33,235
	33,235	–	–	33,235
Liabilities				
Derivative financial instruments:				
Foreign currency forward contracts	–	(2,816)	–	(2,816)
	–	(2,816)	–	(2,816)

There are no transfer between level 1 and 2 during the year.

The fair value of mutual funds which are traded in active markets is based on quoted market prices at the end of financial year. The fair value measurement for these listed mutual funds held by the Group is the current bid price and is classified as level 1.

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure fair value of an instrument are observable, the instrument is included in level 2.

4. Critical Accounting Estimates & Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Dividends derived from the Company's subsidiaries around the world are subject to withholding tax at the local prevailing tax rates. On an annual basis, the Group would reassess its needs to make distribution out of its subsidiaries. As a result, withholding income tax has been provided on the amounts of dividends already distributed during the year and unremitted earnings to the extent they are expected to be distributed in the future. As of 31 December 2014, the Group does not have any plan to distribute unremitted earnings beyond the amounts which have already been distributed, and as a result, deferred income tax liabilities have not been recognised for withholding tax and other taxes that would be payable on unremitted earnings.

4.2 Useful lives of property, plant & equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than brands). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

4.3 Impairment of property, plant & equipment, leasehold land & land use rights and intangible assets

Property, plant and equipment, leasehold land and land use rights and intangible assets (other than brands) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on fair value less cost to sell calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4.4 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

4.5 Trade & other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the allowance at the end of each reporting period.

4.6 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 30.

5. Revenues & Segment Information

(a) Revenues

	2014	2013
	HK$'000	HK$'000
Sale of carpets	**1,292,073**	1,280,671
Sale of underlays	**19,639**	21,656
Installation of carpets	**25,737**	33,889
Interior furnishings	**50,097**	42,993
Sale of yarns	**30,607**	39,148
Sale of raw materials	**9,877**	13,149
Other	**229**	1,694
	1,428,259	1,433,200

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors which are used to assess performance and allocate resources. The Board of Directors assesses the performance in the following geographical areas: Asia, Europe, the Middle East and Africa ("EMEA"), North America and South America.

The Board of Directors assesses the performance of the operating segments based on a measure of segment results. Segment results represent the operating profit/loss of each business segment and the effects of gain/loss and income/expenditure which are considered relevant in assessing the segment's performance.

The segment information provided to management for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

For the year ended 31 December 2014

	Asia	EMEA	North America	South America	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	574,618	226,949	591,480	35,212	–	1,428,259
Cost of production[1]	(382,018)	(92,376)	(309,876)	(22,481)	–	(806,751)
Segment gross margin	192,600	134,573	281,604	12,731	–	621,508
Segment results	56,133	(13,623)	31,736	(130)	–	74,116
Unallocated expenses[2]						(18,420)
Operating profit						55,696
Finance income						5,464
Finance costs						(1,565)
Profit before income tax						59,595
Income tax expense						(33,904)
Profit for the year						25,691
Non-current assets	275,912	24,850	30,830	1,725	93,566	426,883
Current assets	526,657	65,161	122,553	10,320	167,766	892,457
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,336,532
Segment liabilities	176,929	68,856	103,612	5,395	146,261	501,053
Capital expenditure	(46,865)	(6,299)	(6,674)	(7)	(45,016)	(104,861)
Depreciation of property, plant & equipment (Note 16)	(48,198)	(4,231)	(8,930)	(35)	(364)	(61,758)
Amortisation of land use rights (Note 15)	–	–	–	–	(680)	(680)
Amortisation of intangible assets (Note 17)	(7,708)	–	(130)	–	–	(7,838)
(Allowance for)/recovery of impairment of inventories (Note 20)	(585)	(1,130)	440	–	–	(1,275)
(Allowance for)/recovery of impairment of trade receivables (Note 21)	(204)	7,706	1,355	(48)	–	8,809
Gain/(loss) on disposal of property, plant & equipment (Note 34b)	45	(327)	(85)	–	–	(367)

For the year ended 31 December 2013

	Asia HK$'000	EMEA HK$'000	North America HK$'000	South America HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	639,238	232,753	540,943	20,266	–	1,433,200
Cost of production[1]	(431,177)	(96,270)	(287,917)	(13,042)	–	(828,406)
Segment gross margin	208,061	136,483	253,026	7,224	–	604,794
Segment results	34,162	(26,004)	32,220	(8,002)	–	32,376
Unallocated expenses[2]						(6,907)
Gain in relation to Thailand flooding – net	51,491	–	–	–	–	51,491
Operating profit						76,960
Finance income						1,932
Finance costs						(1,847)
Share of loss of an associate	–	–	–	–	(703)	(703)
Profit before income tax						76,342
Income tax expense						(25,995)
Profit for the year						50,347
Non-current assets	260,674	26,266	33,152	3,107	69,318	392,517
Current assets	557,942	96,122	115,697	9,976	190,736	970,473
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,380,182
Segment liabilities	174,609	78,526	95,429	5,454	108,145	462,163
Capital expenditure	(39,865)	(5,386)	(2,802)	(23)	(46,926)	(95,002)
Depreciation of property, plant & equipment (Note 16)	(48,229)	(3,754)	(10,015)	(54)	(213)	(62,265)
Amortisation of land use rights (Note 15)	(1,428)	–	–	–	(564)	(1,992)
Amortisation of intangible assets (Note 17)	(644)	–	(130)	–	(5,304)	(6,078)
Allowance for impairment of inventories (Note 20)	(2,002)	(2)	(1,542)	–	–	(3,546)
Recovery of/(allowance for) impairment of trade receivables (Note 21)	1,236	(14,815)	4,203	46	–	(9,330)
Gain/(loss) on disposal of property, plant & equipment (Note 34b)	313	7	(6)	–	(10)	304

Notes:

[1] Cost of production comprises cost of sales, transportation and administrative expenses of the factories, which are classified as distribution costs and administrative expenses in the consolidated income statement.

[2] Unallocated expenses include corporate expenses of the Group.

6. Expenses by Nature

	2014	2013
	HK$'000	HK$'000
Raw materials & consumables used	**353,521**	397,398
Amortisation of intangible assets (Note 17)	**7,838**	6,078
Amortisation of land use rights (Note 15)	**680**	1,992
Depreciation of property, plant & equipment (Note 16)	**61,758**	62,265
Employee benefit expenses (Note 7)	**422,719**	446,804
Operating lease charges in respect of		
– Land & buildings	**44,641**	45,080
– Other assets	**1,451**	2,219
Intangible assets written off (Note 17)	**–**	313
Allowance for impairment of inventories	**1,275**	2,109
(Recovery of)/allowance for impairment of trade receivables (Note 21)	**(8,809)**	9,330
Bad debts directly written off	**2,771**	4,896
Auditor's remuneration	**4,034**	4,448
Research & development costs	**2,094**	2,946

7. Employee Benefit Expenses

	2014	2013
	HK$'000	HK$'000
Wages & salaries (including Directors' emoluments)	**414,693**	437,731
Pension costs – defined benefit plans (Note 30)	**3,330**	3,438
Retirement benefit costs – defined contribution schemes	**4,696**	5,635
	422,719	446,804

(a) Retirement benefit costs – defined contribution schemes

Unvested benefits totalling HK$607,000 (2013: HK$19,000) were used during the year to reduce future contributions. As at 31 December 2014, unvested benefits totalling HK$900,000 (2013: HK$973,000) were available for use by the Group to reduce future contributions.

(b) Directors' emoluments

The emoluments of each Director for the year ended 31 December 2014 are set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Others HK$'000	Retirement benefit costs HK$'000	Compen-sation for loss of office as director HK$'000	Total HK$'000
Nicholas T. J. Colfer	**120**	**–**	**–**	**–**	**–**	**–**	**120**
Ian D. Boyce[1]	**39**	**–**	**–**	**–**	**–**	**–**	**39**
Nelson K. F. Leong	**110**	**–**	**–**	**–**	**–**	**–**	**110**
David C. L. Tong	**150**	**–**	**–**	**–**	**–**	**–**	**150**
John J. Ying	**170**	**–**	**–**	**–**	**–**	**–**	**170**
Andrew C. W. Brandler[2]	**61**	**–**	**–**	**–**	**–**	**–**	**61**
Yvette Y. H. Fung[3]	**150**	**–**	**–**	**–**	**–**	**–**	**150**
Roderic N. A. Sage[3]	**200**	**–**	**–**	**–**	**–**	**–**	**200**
Lincoln C. K. Yung[3]	**110**	**–**	**–**	**–**	**–**	**–**	**110**
Aubrey K. S. Li[3]	**160**	**–**	**–**	**–**	**–**	**–**	**160**
James H. Kaplan[4]	**–**	**5,437**	**1,170**	**388**	**–**	**–**	**6,995**
	1,270	**5,437**	**1,170**	**388**	**–**	**–**	**8,265**

The emoluments of each Director for the year ended 31 December 2013 are set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Others HK$'000	Retirement benefit costs HK$'000	Compen-sation for loss of office as director HK$'000	Total HK$'000
Nicholas T. J. Colfer	100	–	–	–	–	–	100
Ian D. Boyce	80	–	–	–	–	–	80
Nelson K. F. Leong	90	–	–	–	–	–	90
David C. L. Tong	120	–	–	–	–	–	120
John J. Ying	140	–	–	–	–	–	140
Yvette Y. H. Fung[3]	120	–	–	–	–	–	120
Roderic N. A. Sage[3]	160	–	–	–	–	–	160
Lincoln C. K. Yung[3]	90	–	–	–	–	–	90
Aubrey K. S. Li[3]	130	–	–	–	–	–	130
James H. Kaplan[4]	–	8,739	–	191	–	–	8,930
	1,030	8,739	–	191	–	–	9,960

Notes:

1 Mr. Ian D. Boyce retired as a Non-Executive Director from the close of AGM held on 23 May 2014.

2 Mr. Andrew C. W. Brandler was appointed as a Non-Executive Director at the AGM held on 23 May 2014.

3 Independent Non-Executive Directors

4 Chief Executive Officer

Bonuses are determined with reference to the performance against corporate objectives, the profits of the Group and the achievement of individual performance targets.

No Directors waived any emoluments for the years ended 31 December 2014 and 2013.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2013: one) director whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining four (2013: four) individuals during the year are as follows:

	2014	2013
	HK$'000	HK$'000
Basic salaries, bonus, housing and other allowances	**13,573**	12,693
Retirement benefit costs	**122**	257
	13,695	12,950

The emoluments fell within the following bands:	**No. of individuals**	
	2014	2013
Emolument bands		
HK$2,500,001 – HK$3,000,000	–	2
HK$3,000,001 – HK$3,500,000	**2**	1
HK$3,500,001 – HK$4,000,000	**2**	–
HK$4,000,001 – HK$4,500,000	–	1

8. Gain in Relation to Thailand Flooding – Net

		2014	2013
	Note	**HK$'000**	HK$'000
Gain in relation to Thailand flooding			
– Insurance recoveries	(a)	–	53,532
Loss in relation to Thailand flooding			
– Expenses incurred	(b)	–	(2,041)
Gain in relation to Thailand flooding – net		–	51,491

(a) Insurance recoveries in relation to Thailand flooding

During the year 2013, all the Group's insurance claims in relation to the flooding were finalised with the insurance companies. Letters of settlement were received from the insurance companies, and hence an income of Thai baht 213,000,000 (approximately HK$54,000,000) was recognised. There were no insurance recoveries in 2014.

(b) Costs in relation to Thailand flooding

The loss in relation to the Thailand flooding presented as part of the Group's operating expenses (excluded in Note 6) is as follows:

	2014	2013
	HK$'000	HK$'000
Allowance for impairment of inventories	–	1,437
Others	–	604
	–	2,041

The Thailand flooding costs recognised during the year 2013 represented the allowance for impairment of inventories that were subsequently found to be damaged directly by flooding, and the professional fees in connection with the insurance claims (2014: nil).

9. Other Gains/(Losses) – Net

	2014	2013
	HK$'000	HK$'000
Gain on disposal of financial assets at fair value through profit or loss	**1,643**	276
(Loss)/gain on disposal of property, plant & equipment	**(367)**	304
Gain/(loss) on change in fair value of derivative financial instruments	**767**	(336)
Net foreign exchange loss	**(3,038)**	(7,901)
Write back of amounts due to non-controlling shareholders	–	4,358
Others	**3,212**	2,106
	2,217	(1,193)

10. Finance Income – Net

	2014	2013
	HK$'000	HK$'000
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	**(1,565)**	(1,847)
Finance income – interest income from banks	**5,464**	1,932
Finance income – net	**3,899**	85

11. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2014	2013
	HK$'000	HK$'000
Current income tax		
Hong Kong	**2,478**	5,222
Overseas	**14,682**	18,098
Underprovision in prior years	**508**	227
Withholding tax	**11,647**	–
Deferred income tax expense	**4,589**	2,448
Income tax expense	**33,904**	25,995

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% during the year (2013: 16.5%).

(b) PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law was effective from 1 January 2008. Pursuant to detailed measures of the new CIT Law, the enterprise income tax rate of both domestic enterprise and foreign investment enterprise is 25% from 1 January 2008 onwards.

(c) Thailand corporate tax

Subsidiaries established in Thailand are subject to Thailand corporate tax at a rate of 20% for the year ended 31 December 2014 (2013: 20%).

(d) United States corporate tax

Subsidiaries established in the United States are subject to United States corporate tax at a rate of 34% for the year ended 31 December 2014 (2013: 34%).

The tax on the Group's profit before income tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated entities due to the following:

	2014	2013
	HK$'000	HK$'000
Profit before income tax	**59,595**	76,342
Add: share of net loss of an associate	**–**	703
Profit before income tax of the Company & subsidiaries	**59,595**	77,045
Tax calculated at domestic tax rates applicable to profits in the respective countries	**13,265**	14,408
Income not subject to tax	**(4,577)**	(6,842)
Expenses not deductible for tax purposes	**9,920**	3,416
Withholding tax	**11,647**	–
Utilisation of previously unrecognised tax losses	**(3,233)**	(3,408)
Tax losses for which no deferred income tax asset was recognised	**6,568**	17,857
Underprovision in prior years	**508**	227
Others	**(194)**	337
Income tax expense	**33,904**	25,995

The weighted average applicable tax rate was 22% (2013: 19%). The increase is caused by a change of profitability of the Group's subsidiaries in the respective countries.

12. Profit Attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$43,272,000 (2013: HK$6,979,000 (loss)).

13. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to owners of the Company (HK$'000)	**23,832**	46,785
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**11.23**	22.05

The Group had no dilutive potential shares outstanding during the years ended 31 December 2014 and 2013.

14. Dividend

	2014	2013
	HK$'000	HK$'000
Special dividend paid of HK40 cents per share (2013: nil)	**84,875**	–
Final dividend paid of HK12 cents per share (2013: HK12 cents)	**25,462**	25,462
	110,337	25,462

The Board reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board approved the payment of a special dividend of HK40 cents per share, amounting to a total of HK$84,875,000. The special dividend was paid on 29 September 2014.

At the Board of Directors meeting held on 19 March 2015, the Directors proposed a final dividend of HK12 cents per share amounting to a total dividend of HK$25,462,000, is subject to the approval by the shareholders at the AGM on 20 May 2015. This proposed final dividend is not reflected as a dividend payable in the consolidated financial statements, but is reflected as an appropriation of retained earnings for the year ended 31 December 2014.

15. Land Use Rights

Group

The Group's interests in land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	2014	2013
	HK$'000	HK$'000
Outside Hong Kong, held on leases of between 10 and 50 years	**32,871**	33,667

	2014	2013
	HK$'000	HK$'000
At 1 January	**33,667**	1,406
Addition	**–**	34,037
Exchange differences	**(116)**	216
Amortisation of land use rights (Note 6)	**(680)**	(1,992)
At 31 December	**32,871**	33,667

16. Property, Plant & Equipment and Construction in Progress

Group

	Property, plant & equipment						
	Buildings	Leasehold improvements	Machinery	Furniture, fixtures & equipment	Motor vehicles	Property, plant & equipment total	Construction in progress
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2013							
Opening net book amount	58,847	33,768	179,277	38,664	2,677	313,233	15,903
Exchange differences	(3,143)	503	(5,624)	(562)	(29)	(8,855)	(726)
Additions	116	5,061	1,221	9,935	2,258	18,591	33,136
Transfer from construction in progress	11,496	3,649	13,412	3,719	–	32,276	(32,276)
Disposals and assets written off	–	–	–	(1,156)	(640)	(1,796)	–
Depreciation (Note 6)	(6,230)	(8,855)	(34,275)	(11,765)	(1,140)	(62,265)	–
Closing net book amount	61,086	34,126	154,011	38,835	3,126	291,184	16,037
At 31 December 2013							
Cost or valuation	170,889	91,833	596,600	116,342	12,305	987,969	16,037
Accumulated depreciation	(109,803)	(57,707)	(442,589)	(77,507)	(9,179)	(696,785)	–
Net book amount	61,086	34,126	154,011	38,835	3,126	291,184	16,037

16. Property, Plant & Equipment and Construction in Progress

Group

	Property, plant & equipment						
	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures & equipment HK$'000	Motor vehicles HK$'000	Property, plant & equipment total HK$'000	Construction in progress HK$'000
Year ended 31 December 2014							
Opening net book amount	61,086	34,126	154,011	38,835	3,126	291,184	16,037
Exchange differences	(39)	(149)	83	(872)	(113)	(1,090)	3
Additions	–	11,321	8,859	8,361	751	29,292	68,768
Transfer from construction in progress	–	5,135	14,384	1,397	–	20,916	(20,916)
Disposals and assets written off	(2)	(378)	(307)	(132)	(70)	(889)	–
Depreciation (Note 6)	(4,983)	(9,151)	(33,344)	(13,148)	(1,132)	(61,758)	–
Closing net book amount	56,062	40,904	143,686	34,441	2,562	277,655	63,892
At 31 December 2014							
Cost or valuation	169,093	105,729	602,708	118,959	11,706	1,008,195	63,892
Accumulated depreciation	(113,031)	(64,825)	(459,022)	(84,518)	(9,144)	(730,540)	–
Net book amount	56,062	40,904	143,686	34,441	2,562	277,655	63,892

Depreciation expenses of HK$40,212,000 (2013: HK$41,808,000) and HK$21,546,000 (2013: HK$20,457,000) have been charged to cost of sales and administrative expenses respectively.

Certain of the Group's buildings were revalued on an open market basis at 31 December 1989 by independent professional valuers, Jones Lang Wootton (now Jones Lang LaSalle) and W. Lamar Pinson, Inc. The revaluation was carried out prior to 30 September 1995. Under transitional provisions in paragraph 80A of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16. The carrying amount of such revalued buildings would have been HK$4,827,000 (2013: HK$4,934,000) had it been stated at cost less accumulated depreciation.

The analysis of the cost or valuation of property, plant and equipment is as follows:

Group

	Buildings HK$'000	Other assets HK$'000	Total HK$'000
At cost	158,128	839,102	997,230
At valuation – 1989	10,965	–	10,965
At 31 December 2014	169,093	839,102	1,008,195
At cost	159,253	817,080	976,333
At valuation – 1989	11,636	–	11,636
At 31 December 2013	170,889	817,080	987,969

17. Intangible Assets

Group

	Vendor relationships HK$'000	Computer software HK$'000	Brands HK$'000	Design library HK$'000	Other intangible assets HK$'000	Total HK$'000
At 1 January 2013						
Cost	7,215	40,847	2,462	1,950	2,166	54,640
Accumulated amortisation & impairment	(7,215)	(12,271)	–	(650)	(1,180)	(21,316)
Net book amount	–	28,576	2,462	1,300	986	33,324
Year ended 31 December 2013						
Opening net book amount	–	28,576	2,462	1,300	986	33,324
Additions	–	8,830	–	–	408	9,238
Amortisation (Note 6)	–	(5,948)	–	(130)	–	(6,078)
Write-off (Note 6)	–	(313)	–	–	–	(313)
Exchange differences	–	16	108	–	44	168
Closing net book amount	–	31,161	2,570	1,170	1,438	36,339
At 31 December 2013						
Cost	7,215	49,279	2,570	1,950	2,626	63,640
Accumulated amortisation & impairment	(7,215)	(18,118)	–	(780)	(1,188)	(27,301)
Net book amount	–	31,161	2,570	1,170	1,438	36,339
Year ended 31 December 2014						
Opening net book amount	–	31,161	2,570	1,170	1,438	36,339
Additions	–	6,442	–	–	359	6,801
Amortisation (Note 6)	–	(7,510)	–	(130)	(198)	(7,838)
Exchange differences	–	–	(304)	–	(123)	(427)
Closing net book amount	–	30,093	2,266	1,040	1,476	34,875
At 31 December 2014						
Cost	7,215	55,719	2,266	1,950	2,812	69,962
Accumulated amortisation & impairment	(7,215)	(25,626)	–	(910)	(1,336)	(35,087)
Net book amount	–	30,093	2,266	1,040	1,476	34,875

Other intangible assets include customer relationships and non-competition agreements.

Amortisation expenses of HK$7,838,000 (2013: HK$6,078,000) have been charged to administrative expenses.

18. Investments in Subsidiaries and Amounts Due from/to Subsidiaries

Investment in subsidiaries

Company

	2014	2013
	HK$'000	HK$'000
Unlisted shares	**242,800**	242,800

The following is a list of the principal subsidiaries as at 31 December 2014:

Name of subsidiaries	**Country/place of incorporation & operations**	**Principal activities**	**Issued & paid-up capital**	**Percentage of equity attributable to the Group**
Carpets International Thailand Public Company Limited	Thailand	Carpet manufacturing & trading	10,000,000 shares of THB10 each	99%[1]
Foshan Nanhai Tai Ping Carpets Company Limited[2]	PRC	Carpet manufacturing	USD5,000,000	80%[1]
Premier Yarn Dyers, Inc.	United States of America	Yarn dyeing	1,100 shares of USD100 each	100%[1]
Tai Ping Carpets Americas, Inc.	United States of America	Carpet trading	220,000 shares of USD1 each	100%[1]
Tai Ping Carpets Europe	France	Carpet trading	EUR603,341	100%[1]
Tai Ping Carpets Interieur GmbH	Germany	Carpet trading	EUR511,292	100%[1]
Tai Ping Carpets UK Limited	United Kingdom	Carpet trading	GBP20,000	100%[1]
Tai Ping Carpets Latin America S. A.	Argentina	Carpet trading	ARS1,818,530	100%[1]
Tai Ping Carpets Limited	Hong Kong	Carpet trading	2,000,000 shares of HKD10 each	100%[1]
TPC Macau Limitada	Macau	Carpet trading	MOP25,000	100%[1]
Tai Ping Carpets (S) Pte. Limited	Singapore	Carpet trading	SGD5,000,000	100%[1]
Tai Ping Carpets International Trading (Shanghai) Company Limited	PRC	Carpet trading	USD200,000	100%[1]
Tai Ping Middle East JLT	United Arab Emirates	Carpet trading	300 shares of AED1,000 each	100%[1]
Manufacture des Tapis de Cogolin SAS	France	Carpet trading	EUR200,000	100%[1]

Notes:
1 Indirectly held by the Company
2 Registered as foreign equity joint ventures under PRC Law
3 None of the subsidiaries had issued any debt securities at the end of the year

The non-controlling interests in respect of Carpets International Thailand Public Company Limited and Foshan Nanhai Tai Ping Carpets Company Limited are not material.

The amounts due from/to subsidiaries are unsecured, interest-free, denominated in Hong Kong dollars and repayable on demand.

19. Non-current Asset Held for Sale

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying amount would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable. The disposal has not yet been completed as at 31 December 2014.

A summary of the Group's share of operating results and consolidated financial position of PCMC, which was based on its consolidated financial statements as adjusted to conform with HKFRS for the years ended and as at 31 December 2013, is as follows:

	2013 HK$'000
Group's share of operating results	
Turnover	21,961
Group's share of loss for the year	(703)
Group's share of financial position	
Non-current assets	13,526
Current assets	11,811
Non-current liabilities	(4,152)
Current liabilities	(3,993)
Group's share of net assets	17,192

20. Inventories

Group

	2014 **HK$'000**	2013 HK$'000
Raw materials	**125,879**	112,533
Work in progress	**21,675**	25,655
Finished goods	**99,485**	109,993
Consumable stores	**7,746**	10,045
	254,785	258,226
Less: provision for impairment of inventories	**(20,438)**	(19,420)
	234,347	238,806

The cost of inventories recognised as expense and included in cost of sales amounted to HK$353,521,000 (2013: HK$397,398,000).

Movements on the Group's allowance for impairment of inventories are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**19,420**	18,016
Allowance for impairment of inventories (Note 6)	**7,029**	4,492
Recovery of impairment previously recognised (Note 6)	**(5,754)**	(946)
Inventories written off	**–**	(1,943)
Exchange differences	**(257)**	(199)
At 31 December	**20,438**	19,420

21. Trade & Other Receivables

Group

	2014 HK$'000	2013 HK$'000
Trade receivables	**202,535**	203,332
Less: allowance for impairment of trade receivables	**(6,441)**	(21,614)
Trade receivables – net	**196,094**	181,718
Prepayments	**20,257**	30,763
Value added tax receivables	**7,659**	2,200
Rental deposits	**6,835**	8,633
Insurance recoveries receivables (Note 8(a))	**–**	57,795
Other receivables	**19,752**	15,635
	250,597	296,744
Less: Non-current portion prepayments	**(6,328)**	(2,393)
Current portion	**244,269**	294,351

Prepayments included in non-current assets amounted to HK$6,328,000 (2013: HK$2,393,000).

The carrying amounts of trade receivables approximate their fair values as at 31 December 2014 and 2013. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial year, the ageing analysis of the trade receivables based on invoice date is as follows:

	2014 HK$'000	2013 HK$'000
0 to 30 days	**144,506**	113,384
31 to 60 days	**27,568**	35,505
61 to 90 days	**11,489**	14,354
91 to 365 days	**13,467**	24,676
More than 365 days	**5,505**	15,413
	202,535	203,332

The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	2014 HK$'000	2013 HK$'000
Amounts past due but not impaired:		
Less than 30 days past due	**41,960**	55,677
31 to 60 days past due	**10,206**	12,092
61 to 90 days past due	**6,861**	4,669
91 to 365 days past due	**8,602**	17,372
More than 365 days past due	**411**	224
	68,040	90,034

The balances mainly relate to existing customers, most of which have no recent history of default.

As at 31 December 2014, trade receivables of approximately HK$68,040,000 (2013: HK$90,034,000) were past due but not impaired. The balances were related to a number of customers that have a good track record with the Group. Based on past experience, management estimates that the carrying amounts should be fully recovered.

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**21,614**	13,788
Allowance for impairment of trade receivables (Note 6)	**12,764**	14,891
Recovery of impairment previously recognised (Note 6)	**(21,573)**	(5,561)
Receivables written off as uncollectible	**(5,278)**	(2,105)
Currency translation difference	**(1,086)**	601
At 31 December	**6,441**	21,614

Any impairment of trade receivables is included in administrative expenses in the consolidated income statement. When there is no expectation of recovery, the receivable balance is written off against the allowance for impairment.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group and the Company do not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
Euro	**27,546**	49,398
Hong Kong dollars	**6,952**	9,874
Macau patacas	**2,636**	1,513
British pounds	**4,947**	4,869
Renminbi	**27,097**	18,616
Thai bahts	**40,494**	95,654
US dollars	**138,208**	108,156
Others	**2,717**	8,664
	250,597	296,744

22. Derivative Financial Instruments

Group

	2014 HK$'000	2013 HK$'000
Financial assets		
– Foreign currency forward contracts	**4,588**	–
Financial liabilities		
– Foreign currency forward contracts	**(51)**	(2,816)
	4,537	(2,816)

The notional principal amount of outstanding forward foreign exchange contracts of financial liabilities at 31 December 2014 was HK$73,372,000 (2013: HK$121,227,000).

Management purchased these forward contracts to hedge the foreign currency exposure of Euro and Thai baht. These contracts generally mature within 12 months from the date of purchase.

23. Financial Assets at Fair Value through Profit or Loss

Group

	2014 HK$'000	2013 HK$'000
Mutual funds	**78,350**	33,235

The mutual funds are denominated in Thai baht, and the fair value is based on their current bid prices in an active liquid market at the end of the financial year.

24. Pledged Bank Deposits

Group

	2014 HK$'000	2013 HK$'000
Pledged bank deposits	**5,372**	574
Less: non-current pledged bank deposits	**(314)**	(474)
Current portion	**5,058**	100

Pledged bank deposits represented deposits made to a bank for the performance guarantees (the "Guarantee") issued by the bank to the Group's customers in 2013.

As at 31 December 2014, the effective interest rate on the Group's pledged bank deposits was 0.61% (2013: 2.76%) and these deposits had an average maturity of 171 days (2013: 718 days).

The carrying amounts of the Group's pledged bank deposits are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
Euro	**–**	474
Renminbi	**5,372**	–
Others	**–**	100
	5,372	574

25. Fixed Deposits

Group

	2014 HK$'000	2013 HK$'000
Fixed deposits with maturities over one year	**–**	315
Fixed deposits with maturities over three months and less than one year	**165,193**	96,505
Total fixed deposits	**165,193**	96,820

The carrying amounts approximate to their respective fair values as at 31 December 2014 and 2013.

The carrying amounts of the Group's fixed deposits are denominated on the following currencies:

	2014 HK$'000	2013 HK$'000
Renminbi	164,803	95,982
US dollars	390	812
Others	–	26
	165,193	96,820

As at 31 December 2014, the Group's fixed deposits included HK$25,352,000 (2013: HK$51,191,000) placed with certain banks in the PRC by certain subsidiaries of the Group. These balances are subject to exchange controls.

As at 31 December 2014, the effective interest rate on the Group's fixed deposits is 2.87% (2013: 2.29%) and these deposits had an average maturity of 219 days (2013: 165 days).

26. Cash & Cash Equivalents

The carrying values of the Group and Company's cash and cash equivalents approximate to their respective fair values and are denominated in the following currencies:

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Argentine pesos	90	128	–	–
Euro	9,661	13,066	–	–
Hong Kong dollars	14,446	15,439	2,297	1,217
Macau patacas	23	751	–	–
British pounds	3,677	3,103	–	–
Renminbi	41,102	58,826	–	–
Singapore dollars	1,233	432	–	–
Thai bahts	505	13,184	–	–
US dollars	72,849	199,784	5	5
Others	3,293	2,047	–	–
	146,879	306,760	2,302	1,222

As at 31 December 2014, the Group's cash and bank balances included HK$58,956,000 (2013: HK$60,623,000) placed with certain banks in the PRC and Thailand by certain subsidiaries of the Group. These balances are subject to exchange controls.

27. Share Capital

Group & Company

	No. of shares	HK$'000
Authorised – Ordinary shares of HK$0.10 each:		
At 31 December 2013 & 2014	400,000,000	40,000
Issued and fully paid – Ordinary shares of HK$0.10 each:		
At 31 December 2013 & 2014	212,187,488	21,219

28. Other Reserves

Group

	Share premium HK$'000	Capital reserve HK$'000	Properties revaluation reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
Balance at 1 January 2013	189,699	55,928	4,161	16,000	137,424	403,212
Currency translation differences	–	–	–	–	(20,651)	(20,651)
Balance at 31 December 2013	189,699	55,928	4,161	16,000	116,773	382,561
Balance at 1 January 2014	189,699	55,928	4,161	16,000	116,773	382,561
Currency translation differences	–	–	–	–	2,668	2,668
Release of general reserve due to deregistration of a subsidiary	–	–	–	(8,000)	–	(8,000)
Balance at 31 December 2014	189,699	55,928	4,161	8,000	119,441	377,229

Note: The capital reserve includes statutory reserve funds set up by subsidiaries in the PRC. According to the relevant laws and financial regulations, upon approval by the Board, the statutory reserve funds may be used to make up prior years losses, if any, and to increase the capital of such subsidiaries. In addition, as stipulated by the relevant laws and financial regulations, the subsidiaries are required to appropriate an amount of not less than 10% of profit after income tax to its statutory reserve fund. A subsidiary will not be required to make any further appropriation, when its accumulated statutory reserve fund reaches 50% of its registered capital.

Company

	Share premium HK$'000	Contributed surplus HK$'000	Total HK$'000
Balance as at 1 January 2013, 31 December 2013 & 31 December 2014	189,699	87,768	277,467

The contributed surplus of the Company represents the excess of the consolidated net assets of a subsidiary acquired over the nominal amount of the Company's shares issued for the acquisition, as a result of the Group reorganisation in 1990. Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to members of the Company.

29. Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Group

	2014 HK$'000	2013 HK$'000
Deferred tax assets:		
– Deferred tax assets to be recovered within 12 months	**2,537**	2,439
– Deferred tax assets to be recovered after 12 months	**8,411**	9,669
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after 12 months	**(5,634)**	(219)
Deferred tax assets – net	**5,314**	11,889

The gross movements on the Group's deferred income tax account are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**11,889**	15,138
Exchange differences	**(789)**	(1,251)
Credited to other comprehensive income	**–**	450
Charged to the consolidated income statement (Note 11)	**(5,786)**	(2,448)
At 31 December	**5,314**	11,889

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same taxation jurisdiction, are as follows:

Deferred tax assets

	Impairment of assets		Tax losses		Others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**2,439**	6,175	**3,584**	2,612	**6,085**	6,474	**12,108**	15,261
(Charged)/credited to the consolidated income statement	**(1,217)**	(3,077)	**(1,218)**	1,402	**2,064**	(677)	**(371)**	(2,352)
Credited to other comprehensive income	**–**	–	**–**	–	**–**	450	**–**	450
Exchange differences	**(57)**	(659)	**(638)**	(430)	**(94)**	(162)	**(789)**	(1,251)
At 31 December	**1,165**	2,439	**1,728**	3,584	**8,055**	6,085	**10,948**	12,108

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$160,903,000 (2013: HK$212,258,000) in respect of tax losses of approximately HK$509,257,000 (2013: HK$666,078,000) that can be carried forward against future taxable income. The expiry dates of the tax losses of the subsidiaries range from 2018 to 2033 (2013: 2018 to 2033).

Deferred tax liabilities

	Accelerated tax depreciation allowance		**Unremitted service fees**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**219**	123	**–**	–	**219**	123
Charged to the consolidated income statement	**4,218**	96	**1,197**	–	**5,415**	96
At 31 December	**4,437**	219	**1,197**	–	**5,634**	219

Deferred income tax liabilities of HK$21,608,000 (2013: HK$21,975,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries totalling approximately HK$216,076,000 (2013: HK$219,752,000). Such amounts are not currently intended to be distributed to the shareholders outside PRC and Thailand.

30. Retirement Benefit Obligations

Group

	2014	2013
	HK$'000	HK$'000
Consolidated financial position obligations for:		
Pension benefits plans	**26,079**	25,477

The defined benefit plans are final salary defined plans in Thailand and France, which are valued by qualified actuaries using the project unit credit method. The defined benefit plans were valued at 31 December 2013 by Team Excellence Consulting Co. Ltd. and SPAC Actuaries in Thailand and France respectively.

Pension benefits

The Group operates defined benefit pension plans in Thailand and France based on employee pensionable remuneration and length of service. These plans are unfunded. These amounts recognised in the consolidated statement of financial position are determined as follows:

	2014	2013
	HK$'000	HK$'000
Present value of unfunded obligations	**26,079**	25,477
Liabilities on the consolidated statement of financial position	**26,079**	25,477

The movements in defined benefit obligations are as follows:

	2014 HK$'000	2013 HK$'000
As 1 January	**25,477**	23,271
Actuarial loss on remeasurement	**–**	2,250
Current service costs	**2,314**	2,505
Interest costs	**1,016**	933
Exchange differences	**(340)**	(1,492)
Benefit paid	**(2,388)**	(1,990)
At 31 December	**26,079**	25,477

	2014 HK$'000	2013 HK$'000
The amounts recognised in the consolidated statement of financial position were determined as follows:		
Present value of defined benefit obligations	**26,079**	25,477
Fair value of plan assets at end of the period	**–**	–
Present value of defined obligations	**26,079**	25,477
Liabilities on the consolidated statement of financial position	**26,079**	25,477

	2014 HK$'000	2013 HK$'000
The amounts recognised in the consolidated income statements are as follows:		
Current service costs	**2,314**	2,505
Interest costs	**1,016**	933
Total, included in employee benefit expenses (Note 7)	**3,330**	3,438

The principal actuarial assumptions were as follows:

	2014	2013
Discount rate	**3.5% – 4.75%**	4.4% – 4.75%
Inflation rate	**2% – 3%**	2% – 3%
Expected return on plan assets	**N/A**	N/A
Salary growth	**2% – 8%**	3% – 8%
Turnover rate	**0% – 30%**	0% – 30%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in Thailand and France respectively. Mortality assumptions for Thailand and France are based on post-retirement mortality tables, Thailand TMO2008 Table normal retirement age and INSEE TD/TV 2007-2009 respectively.

31. Other Long-term Liabilities

Group

	2014	2013
	HK$'000	HK$'000
Non-current portion		
Repayable between 1 – 2 years	**3,015**	3,015
Current portion	**–**	–
	3,015	3,015

Non-current portion of other long-term liabilities in 2014 and 2013 mainly represent provision for reinstatement costs for the Group's head office in Hong Kong.

32. Trade & Other Payables

	Group		Company	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	**67,431**	56,970	**–**	–
Deposits received in advance	**96,051**	120,583	**–**	–
Accrual for expenses	**83,743**	104,659	**2,338**	2,167
Other payables	**83,304**	57,611	**729**	–
	330,529	339,823	**3,067**	2,167

At the end of the financial year, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	2014	2013
	HK$'000	HK$'000
0 to 30 days	**49,625**	43,818
31 days to 60 days	**14,482**	7,730
61 days to 90 days	**1,170**	664
More than 90 days	**2,154**	4,758
	67,431	56,970

The carrying amounts of the Group's and Company's trade and other payables are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Euro	**47,004**	44,815	**–**	–
Hong Kong dollars	**48,896**	67,960	**3,067**	2,166
British pounds	**13,281**	16,521	**–**	–
Renminbi	**44,831**	38,374	**–**	–
Thai bahts	**31,342**	34,630	**–**	–
US dollars	**138,151**	124,449	**–**	1
Others	**7,024**	13,074	**–**	–
	330,529	339,823	**3,067**	2,167

33. Bank Borrowings – Unsecured

Group

	2014	2013
	HK$'000	HK$'000
Current		
Outstanding bills payables repayable within 60 days	**3,777**	4,336
Short-term bank borrowings	**117,000**	78,000
	120,777	82,336

The carrying amounts approximated their respective fair values as at 31 December 2014 and 2013. The amounts are unsecured, bear interest at 1.62% – 1.96% (2013: 1.62% – 1.86%) per annum.

At 31 December 2014, the Group had trade and loan finance facilities of HK$521,625,000 (2013: HK$529,068,000), of which HK$120,777,000 (2013: HK$82,336,000) were utilised. The Group had complied with the covenants set out in the trade and loan finance facilities.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2014	2013
	HK$'000	HK$'000
US dollars	**117,000**	78,000
Thai bahts	**3,777**	4,336
	120,777	82,336

34. Notes to the Consolidated Statement of Cash Flows

(a) Cash generated from operations

	2014 HK$'000	2013 HK$'000
Profit before income tax	**59,595**	76,342
Adjustments for:		
Amortisation of intangible assets	**7,838**	6,078
Amortisation of land use rights	**680**	1,992
(Recovery of)/allowance for impairment of trade receivables	**(8,809)**	9,330
Bad debts written off	**2,771**	4,896
Retirement benefit obligations	**3,330**	3,438
Depreciation of property, plant & equipment	**61,758**	62,265
Loss/(gain) on disposal of property, plant & equipment	**367**	(304)
Share of loss of an associate	**–**	703
Intangible assets written off	**–**	313
Allowance for impairment of inventories	**1,275**	3,546
Write off of amount due to non-controlling shareholders	**–**	(4,358)
Gain on disposal of financial assets at fair value through profit or loss	**(1,643)**	(276)
(Gain)/loss on change in fair value of derivative financial instruments	**(767)**	336
Finance costs	**1,565**	1,847
Finance income	**(5,464)**	(1,932)
Operating profit before changes in working capital	**122,496**	164,216
Inventories	**14,276**	23,685
Trade & other receivables	**67,682**	6,664
Trade & other payables	**(25,533)**	(52,838)
Prepayments – non-current	**(3,935)**	(2,212)
Cash generated from operations	**174,986**	139,515

(b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2014 HK$'000	2013 HK$'000
Net book amount	**889**	1,796
(Loss)/gain on disposal	**(367)**	304
Release from provision for restructuring	**–**	(711)
Proceeds from disposal	**522**	1,389

35. Operating Lease Commitments

The Group has entered into a number of operating lease agreements on property, plant and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group

	2014		2013	
	Property	**Other assets**	Property	Other assets
	HK$'000	**HK$'000**	HK$'000	HK$'000
Not later than one year	**37,414**	**1,471**	39,159	1,672
Later than one year and not later than five years	**98,918**	**2,128**	117,081	1,843
Later than five years	**66,127**	**–**	40,018	–
	202,459	**3,599**	196,258	3,515

36. Capital Commitments

Group

	2014	2013
	HK$'000	HK$'000
Authorised but not contracted for in respect of property, plant & equipment	**41,537**	154,569
Contracted but not provided for in respect of property, plant & equipment	**83,361**	10,663
	124,898	165,232

37. Contingencies

Group

Contingent liabilities

	2014	2013
	HK$'000	HK$'000
Performance bonds issued by banks	**18,039**	12,666

Company

Corporate guarantee

The Company provides unlimited guarantees in respect of banking facilities granted to its subsidiaries, of approximately HK$278,323,000 (2013: HK$216,317,000) of which HK$90,897,000 were utilised as at 31 December 2014 (2013: HK$62,065,000).

38. Related Party Transactions

The Mikado Private Trust Company Limited ("MPTCL") is a major substantial shareholder of the Company and MPTCL is also deemed to be interested in more than 30% of the voting power of The Hongkong and Shanghai Hotels, Limited.

The following transactions were carried out with related parties:

(a) Sale of goods & services

	2014	2013
	HK$'000	HK$'000
Sale of carpets:		
The Hongkong and Shanghai Hotels, Limited ("HSH")[1]	**4,239**	2,610

Notes:

[1] By virtue of the fact that HSH is under common control with the Company, the transactions of the Company's subsidiaries with HSH and its subsidiaries are related party transactions.

(b) Key management compensation

Key management includes Chairman, Executive Director and senior management. The compensation paid or payable to key management for employee service is shown below:

	2014	2013
	HK$'000	HK$'000
Salaries & other short-term employee benefits	**23,943**	24,192

(c) Year-end balances arising from sale/purchase of goods/services

	2014	2013
	HK$'000	HK$'000
Trade receivables from related party:		
HSH	28	665

Senior Management

Name	Position held	Age[1]	Joined Group	Business experience
Mr. William J. Palmer	Global Managing Director, Industry	53	1999	Sales & business development
Ms. Mersine P. Defterios[3]	Managing Director, Aviation	46	2011	Sales & business development
Ms. Catherine Vergez	Managing Director, Artisan, EMEA	52	1991	Sales & business development
Mr. Mark S. Worgan	Chief Operating Officer	51	2008	Carpet manufacturing & logistics
Mr. Marcel G. J. Lebon[2]	Chief Financial Officer & Human Resources Director	53	2009	Financial management & human resource management
Mr. Alan Porto[2]	Chief Information Officer	49	2009	Information technology
Ms. Simone S. Rothman[2]	Chief Marketing Officer	55	2004	Marketing, PR & business development

Notes:
[1] Age as of 19 March 2015
[2] Senior management left during the year
[3] Senior management since 2014

Remuneration to senior management

The remuneration to senior management fell within the following bands:

	No. of individuals	
	2014	2013
Remuneration bands		
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	2
HK$2,500,001 – HK$3,000,000	**3**	2
HK$3,000,001 – HK$3,500,000	**2**	1

Corporate Information

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Standard Chartered Bank (Hong Kong) Limited

Company Secretary
Lee Siu Kau

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